

Financial Principles and Policies

Financial planning and management are vital for effective operations. In 2004, the District embarked on a goal of building a world class financial organization. To achieve this objective, the agency continues to implement well-controlled business practices in five business-critical areas:

- Strategic planning and business risk assessment
- Budgetary planning and reporting
- Efficient business processes
- Financial organization and leadership training for business staff
- Leveraging technology's potential

To realize the organization's overall mission and objectives, high level performance, financial professionalism and accountability must be embraced by each District division and department. The District relies upon its financial managers and program analysts to provide executive management with timely, accurate information needed to make well-informed business decisions.

The District's budget is designed to function as a key planning instrument and its preparation is a well-coordinated collaborative effort. Cross-functional teams are utilized to build the goals and budgets of each specific District program.

This year the District continues its efforts to improve the agency's budget development process to assure it is built on Governing Board established priorities and outcomes rather than annual incremental growth alone. This shift reflects a fundamental change in the way state and local officials are structuring revenue and approaching expenses. Not only does it take into account the need to accept trade-offs that limited funds require, it also acknowledges the use of performance data as central to the process. Budgeting for outcomes enables the organization to match available monies to its highest priorities, eliminates non-priorities, and measures progress to ensure results.

The District's 10-year Strategic Plan, a design for long-term planning, was introduced into the business cycle last year and recently updated for FY2006. It drives annual Work Plan and budget development, encourages District fiscal responsibility and accountability, and strengthens internal decision making by allowing the agency to track strategic performance through one-year work plans. In FY2006, the District will continue to address major challenges by focusing resources on strategic priorities.

As a large public agency, the District has a responsibility to taxpayers to properly account for its use of all public funds. To ensure fiscal responsibility when making decisions and recommendations, the District developed the Principles of Sound Financial Management in addition to other financial policies. The following 16 principles and policies guide the methods by which the District conducts business:

Financial Planning Policies

1. Strategic Financial Planning

- The District shall incorporate strategic planning into its financial strategies.
- The District shall measure actual results of its strategic financial plans against scheduled activities and indicators, as these measurements improve forecasting and provide a means of revising goals and objectives.

FY2006 Status

In 2005, the District made a strategic commitment to accelerate the completion of eight vital public projects. To help speed restoration, the District made a bold commitment to expedite existing work schedules by providing the upfront financing for design and construction.

2. Capital Projects Plan

- The District shall adopt a five-year capital projects plan on an annual basis.

The five-year Capital Improvements Plan is updated each year. (A summary of the FY2006 plan is included in the Long-Range Plans section of this document.)

3. Fiscal Plan

- The District shall adopt an annual operating budget.
- Key performance measurements and productivity indicators for the budget year shall be included in the plan.

A financial plan has been prepared that includes projected revenues and expenditures for District programs over the next 10 years. (A summary of this plan is included in the Long-Range Plans section of this document.) Work Plans were also developed which include projects, objectives and success indicators tied to the FY2006 budget. These plans are updated annually.

4. Balanced Budget

- The District shall annually adopt a balanced budget in which operating revenues are equal to or exceed operating expenditures.
- Any increase in expenses, decrease in revenues or combination of the two that would result in a budget imbalance would require budget revision, rather than spending unappropriated surpluses or designated reserves to support ongoing operations.

The FY2006 budget is balanced with available revenues.

5. Asset Inventory

- Current and accurate fixed asset physical inventory records shall be maintained by conducting annual physical inventories.

Information regarding asset condition, scheduled maintenance, useful life and repair costs was used by management to make informed repair or replacement decisions, to prepare the Capital Improvement Plan budget and to generate reasonable estimates of repair and maintenance costs for the current operating budget.

Revenue Policies

6. Revenues

FY2006 Status

- The District shall maintain a diversified and stable revenue base. Existing and potential revenue sources shall be reviewed annually for stability, equity, efficiency and capacity to finance future operations.
- Revenues shall be estimated by an objective, analytical process that recognizes the sensitivity of each revenue source to different factors.
- Ad valorem tax levies shall not exceed statutory millage rates.
- Whenever authorized and appropriate, user fees and charges shall be established to recover the full costs of all or a portion of programs and services, and lessen the burden of taxation.
- The District shall pursue intergovernmental financial assistance for programs and activities that address a recognized need, and are consistent with the District's mission and long-range objectives.

Projected FY2006 tax revenue represents 42 percent of the total budget. State and federal revenues, permit fees, the Everglades Agricultural Area privilege tax, grants and other sources make up the remaining 58 percent.

7. Cash Management and Investment

- The District shall maximize its cash position.
- The District shall accelerate collections and control disbursements to optimize cash availability.
- The District shall meet its financial obligations on a timely basis in order to maintain public trust and productive relations with employees, suppliers and contractors.
- The District shall develop monthly cash flow projections, which help formulate investment strategies for the most effective use of District resources.
- Funds shall be managed in a prudent and diligent manner, meeting the following prioritized set of criteria: legality, safety, liquidity, and yield.

Cash flow projections are created monthly to time revenues with expenditures and match investment activity with expected liquidity needs. All available cash is invested to ensure the highest returns available. Reports on investments and cash flow are distributed to management every month and to the Governing Board every quarter. Presentations on investment activity, rate of return and overall performance are made to the Board twice annually.

Expenditure Policies

8. Internal Control

- The District shall maintain an effective system of internal controls.
- The District shall establish and maintain a financial structure, with defined classifications of expenditures, consistent with Florida Statutes (F.S.) 373.536 and 200.065, and Generally Accepted Accounting Principles.
- The District shall control, adopt and report expenditures by fund, resource area, and functional area (program).

FY2006 Status

Budgetary and financial control was updated this year to control the transfer of funds between programs. The District Financial Structure consists of the following levels of classification: funds, resource areas, departments, programs and program elements. The District adopts, controls and reports expenditures by fund, resource area and programs.

9. Disbursements

- Disbursement of District funds must be for a legitimate purpose and within budgetary limits.
- District checks shall bear the signatures of the Treasurer and the Governing Board Chair or Vice Chair.
- Payment for District contracts and purchase orders are contingent on evidence of the receipt or acceptance of the specific deliverables.

No irregularities were reported by external auditors during the annual financial audit.

10. Debt Management

- The Governing Board of the District adopted a debt management policy in May 1993, which was updated in April 2005. The policy directs the District to do the following:
 - Exhibit purposeful restraint in incurring debt;
 - Follow a policy of full disclosure in all financial reports and official statements issued for indebtedness;
 - Refrain from issuing short-term debt that requires repeated annual appropriation;
 - Long-term debt shall not exceed the estimated life of the capital assets financed and shall not be used to finance current operations or normal maintenance;
 - The District shall project debt requirements on a five-year basis to facilitate better short-term decisions in light of other priorities that may arise, and to examine the longer-range implications and effects of debt issuance.
- Although the amount of debt issued by the District is not restricted by law, the District shall generally target its debt burden at the following self-imposed boundary benchmark levels:
 - The net debt per capita shall not exceed \$250;
 - Debt service shall not exceed 20 percent of the available ad-valorem revenues, related interest income thereon, and permit fee revenue;
 - The debt-to-assessed value shall not exceed 30 percent of the assessed value of property within the District.

The revised debt policy was adopted in April 2005. The policy addresses both short-term and long-term obligations issued by the District. It also provides guidance for planning and evaluating alternative funding plans and decisions for capital projects. The Governing Board, District staff and other stakeholders are now able to evaluate the impact of funding decisions on the District's debt position and credit quality. The amended policy and related guidelines enable the District to identify and address potential concerns and solutions early in the capital planning and debt issuance process. (Refer to Debt Summary at the end of this section.)

11. Reserves

- The District shall maintain reserves to provide the ability to address emergencies without short-term borrowing. The economic stabilization reserve should be at least 5 percent of the previous fiscal year's actual revenues from all sources of ad valorem tax-supported funds. Budgeted contingency appropriation is not to exceed 1 percent of the budgeted revenues for each ad valorem tax-supported fund.
- The District shall also maintain reserves required by the Generally Accepted Accounting Principles, such as for debt services and encumbrances.

For FY2006, the economic stabilization reserve is \$15.3 million, the reserve for encumbrances is \$168.4 million. The contingency reserve budget is \$4.5 million.

Other Financial Principles

12. Procurement and Contracting

- The District shall promote maximum value for products and services acquired through an open, competitive and accountable process.
- The District shall maintain procedures for centralized procurement and contracting to guard against fraud, waste and favoritism.
- The District shall prescribe standards, specifications, coordination and operating procedures for fair and open competition. This is essential to securing public confidence that procurement and contracting are awarded equitably, economically and efficiently.

13. Accounting and Financial Reporting

- The District shall provide consistently useful, timely and accurate financial information for reporting, analysis and decision-making.
- The District shall report accounting and financial information that is in accordance with Generally Accepted Accounting Principles and is consistent with regulatory requirements.
- In the spirit of full disclosure, the District shall prepare a Comprehensive Annual Financial Report (CAFR), pursuant to the principles and guidelines established by the Government Finance Officers Association.

14. Independent Audit

- The District shall provide for an annual independent audit of its financial statements. This provides evidence of the District's financial accountability to the public and other interested parties.

15. Internal Audit

- The District shall maintain an internal audit function. This function provides an independent appraisal of the operations and controls within the District to determine whether risks are identified and reduced, policies and procedures are followed, established standards are met, and resources are used efficiently and economically.

16. Business Ethics

- The District shall conduct all business affairs in accordance with the highest levels of legal and ethical standards. A commitment to ethics is among the most valuable assets the District can possess, as it protects the agency's strengths of credibility and trust.

Annual Budget Statutory Requirements

The District's annual budget is prepared and submitted in accordance with F.S. 200.065 and 373.536. The District's fiscal year, created under the provisions of F.S. 373.536, extends from October 1 of one year through September 30 of the following year.

The millage rate is levied pursuant to F.S. 200.065. Ad valorem tax levels do not exceed the statutory millage rate of 1 mill. Within 35 days of taxable-values certification, the District advises the property appraiser of its proposed millage rate, its rolled-back rate and the date, time and place at which a public hearing will be held. The Governing Board conducts this meeting, which takes place no earlier than 65 days and no later than 80 days after the certification of value, to discuss the tentative budget and millage rate.

On or before July 15 of each year, the District budget officer submits a tentative budget to the Governing Board. The budget covers proposed operations and funding requirements for the ensuing fiscal year. Within 15 days after the meeting at which the tentative budget is adopted, the District advertises its intent to adopt a final millage rate and budget. The resolution states the percent, if any, by which the millage rate to be levied exceeds the rolled-back rate.

The final adopted budget for the District is the operating and fiscal guide for the ensuing year. Transfers of funds, however, may be made within the budget by the Governing Board at a public meeting.

Summary Budget Development Guidelines

The following general budget parameters and guidelines were adhered to during the development of the FY2006 budget:

- District millage rates were not increased.
- Full-time permanent staffing levels remained the same as the prior year. Existing staff was examined and redirected as needed, based on strategic priorities. The budget includes a 4 percent incremental merit increase.
- Leased positions were eliminated.
- Non-ad valorem revenue was targeted to fund items wherever possible. Grant opportunities were reviewed to ensure consistency with program goals and objectives.
- Program coordinators completed 10-year Strategic Plan templates that included goal statements, program descriptions, strategies, success indicators and projected deliverables or milestones.
- Program coordinators gathered input from project managers, functional unit directors and business operations analysts to develop their annual work plans. These work plans were based on the Strategic Plan and the funding target for each program.
- Budget requests and allocations were linked to program objectives and success indicators in the work plans, which were previously approved by the Governing Board.
- Contract justification forms were completed for each contract.
- New fleet requests were justified and all comparable vehicles were shown to be fully utilized.

Modifications to the Adopted Budget

Required changes to the budget may be made by budget amendments or budget transfers. These two processes are discussed below.

Budget Amendments

A budget amendment is defined as any action that increases or decreases total appropriated fund amounts (e.g., spending authorizations) in the District's adopted budget. Possible causes for budget amendments could include:

- The discovery of more accurate information after the budget was adopted
- Modified operating requirements (e.g., transfer of budget authority between funds)
- Year-end accounting adjustments (e.g., aligning projected budget authority with actual revenues received and expenses incurred)

Budget amendments must follow strict statutory guidelines. The intent to amend the budget must be published in the notice of the Governing Board meeting at which the amendment will be considered for approval.

Budget Transfers

Budget transfers are defined as any action that changes the budget amount(s) associated with a resource area or programs, as adopted by the Governing Board. Budget transfers reallocate program and project budget amounts from one resource area to another. It is important to note that budget transfers, unlike budget amendments, do not change total overall budget appropriation levels. Budget transfers may be processed by action of the Governing Board or Executive office.

The movement of any funds, regardless of amount, between resource areas will require prior Governing Board approval. Movement of funds between expense types (excluding personnel services) will no longer require Governing Board approval.

Budget Philosophy and Process

Philosophy

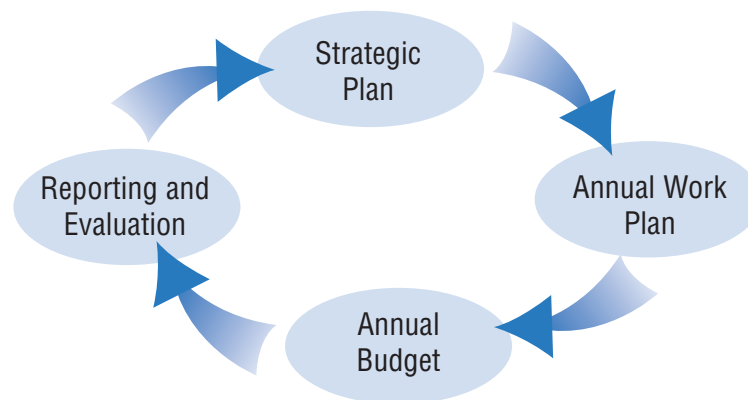
The District's broad mission and mandates were organized into 11 programs for which long- and short-term goals, and success indicators were established. This methodology allows for a more thorough review and understanding of major District functions and programs. It also enables better programmatic comparisons and choices regarding the allocation of limited resources.

The District uses a programmatic, outcome-oriented approach when developing and presenting its budget. This budgeting method is based on program performance, and emphasizes the link between strategic plans, program goals and objectives, outcomes, and annual funding allocations. The process requires close communication between program managers and functional units; awareness of agency strategic goals, objectives and outcomes; identification of strategies to achieve these outcomes; and the development of performance measures.

The Business Cycle

The Governing Board sets the District's overall direction and establishes the priorities that form the agency's Strategic Plan. The 10-year Strategic Plan provides a foundation for annual development of the Work Plan and the budget, which together map the path to achieving the District's goals and mission. Development of these planning tools requires a coordinated effort by state officials, the Governing Board, executive management, program coordinators, other agencies, stakeholders, staff and the public.

The District's annual business cycle process links the priorities identified in the Strategic Plan, through the Work Plan, to the budget. After Governing Board approval of the Strategic Plan, work plans and budgets are developed for each of the 11 District programs. After initial implementation, program achievements are evaluated quarterly and the results are incorporated into the Strategic Plan when updated the following year.



Step 1: The Strategic Plan

The Governing Board endorsed an update of the long-range funding plan for the strategic priorities that were the backbone of the Strategic Plan. The funding plan includes a 10-year financial forecast estimating revenue growth from key sources and identifying strategic uses of that revenue. The Strategic Plan recognizes the increasing pace of the region and, in turn, the District's commitment to accelerate the implementation of vital public projects.

Step 2: The Annual Work Plan

The annual Work Plan "drills down" from the high level of the Strategic Plan to the detail of major project accomplishments planned for the fiscal year. Priorities from the Strategic Plan were used to develop the Work Plan and inter-relationships between the 11 programs. Program resource requests were evaluated not only on their achievability but also on their ties to projects included in the annual Work Plan. Major projects and their expected success indicators are detailed in the final Work Plan, along with staffing and funds for the projects.

The Capital Improvements Plan is a companion document that was developed simultaneously with the budget. The plan includes a five-year capital project forecast and a detailed description of planned capital activities that support the Governing Board's strategic priorities for the fiscal year. The first year of this plan was adopted by the Governing Board as the FY2005 capital budget.

See the Long-Range Plans section for more information on the Capital Improvements Plan.

Step 3: The Annual Budget

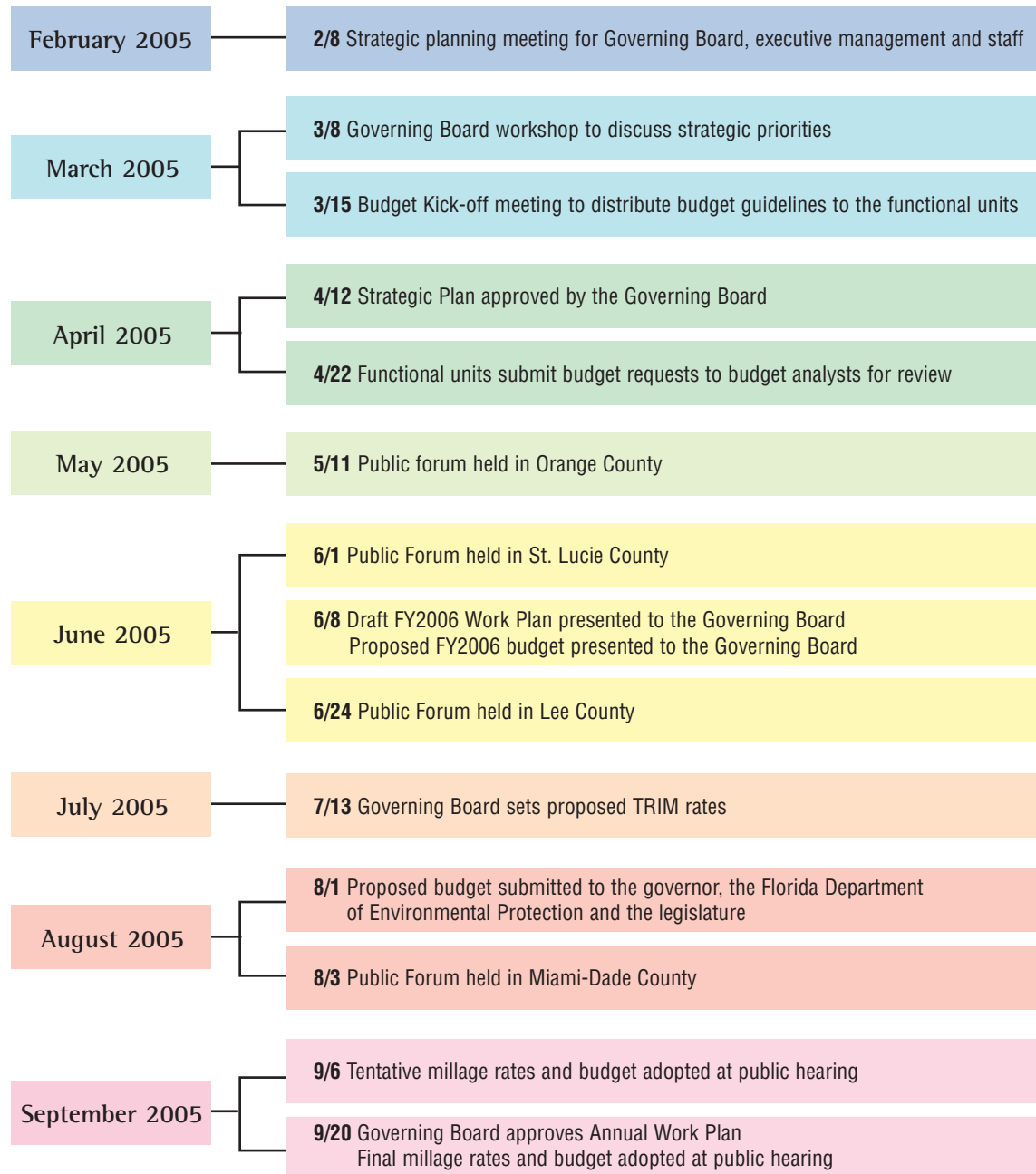
The completed Work Plan guided development of the budget, which was approved by the Governing Board in September 2005. The budget supports all the major projects and strategic priorities outlined in the annual Work Plan. This process ensures the connection between the high-level Strategic Plan, the Work Plan and the budget, and provides the means to verify that financial and human resources are focused on the District's most important goals and objectives.

Step 4: Evaluation and Reporting

The last phase of the annual cycle involves evaluation of Work Plan implementation and the reporting of results. Staff members present quarterly progress reports and key financial measurements to senior management and the Governing Board. The Evaluation and Reporting phase of the budget cycle provides senior leadership with an internal management tool to guide resource allocation decisions over time and serves as a catalyst for the next annual cycle. After review of staff reports, management provides quarterly status reports to the Governing Board regarding completion of major projects.

Budget Development Process

FY2006 Budget Development Calendar



The following are key FY2006 budget development milestones:

February 2005

- Strategic Planning retreat held to discuss revisions to strategic priorities.
- Program coordinators began developing annual program work plans and met with project coordinators to discuss expected outcomes.

March 2005

- A budget development kick-off meeting was held, at which guidance was given and timelines were distributed.
- The internal budget development process began.
- There was a Governing Board workshop to discuss 10-year strategic priorities, the Work Plan and major projects, such as the Everglades Construction Project and the Comprehensive Everglades Restoration Plan.
- Program coordinators developed resource allocations for the proposed budget.
- Program coordinators and staff entered funding requests for Work Plan projects into the budget software system.

April 2005

- The 10-year Strategic Plan was presented to the Governing Board.
- Management discussed the Strategic Plan and Work Plan with program coordinators, budget analysts and other staff.
- Executive management discussed program tradeoffs and approved the Work Plan and program targets.
- Budget submissions were due for review by budget analysts on April 22.
- The Governing Board adopted the 10-year Strategic Plan.
- Budget analysts conducted a technical review of the proposed budget.

May 2005

- A public forum was held to solicit input from the public on the preliminary budget.

June 2005

- Property appraisers for the 16 counties in the District provided taxable value estimates.
- The Governing Board reviewed the draft Work Plan.
- The FY2006 proposed budget was presented to the Governing Board.

July 2005

- Property appraisers for the 16 counties in the District provided certification of taxable values.
- The Governing Board adopted proposed millage rates that are in compliance with Truth in Millage (TRIM) requirements.

August 2005

- The District submitted the proposed budget to the Florida Department of Environmental Protection, the legislature and the governor's office for review and approval.
- District management and staff briefed the governor's office on the Strategic Plan, the Work Plan and the proposed budget.
- TRIM forms were mailed to property appraisers in the 16 counties in the District.
- The District verified accuracy of millage information on TRIM notices prepared by property appraisers.

September 2005

- The Governing Board adopted tentative millage rates and the preliminary budget at a public hearing on September 6.
- The governor's office approved the District's budget with no changes.
- Final millage rates and the final budget were adopted at a public hearing on September 20.

Financial Structure

The primary authority for operation of District programs comes from Chapter 373 of the Florida Statutes. The agency works in concert with the State of Florida to accomplish the region's water management objectives. Accordingly, the District's budget includes all operations for which the District is financially accountable; as well as the Okeechobee and Big Cypress basins, which are within its jurisdiction. Because the District and basins are financially interdependent, the Governing Board must approve each budget.

There are no additional component units required for inclusion in the budget. The District does not invest or participate in any joint ventures.

The use of funds and the budgeting, accounting and auditing associated with this fund structure are governed by the State of Florida and Generally Accepted Accounting Principles, as determined by the Governmental Accounting Standards Board.

Fund Structure and Purpose

The financial operations of the District are organized by funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purposes and aids management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds necessary to meet legal and managerial requirements is maintained. The use of account groups is a reporting device that accounts for certain assets and liabilities of governmental funds not recorded directly in those funds.

Major Funds

District funds are in two main groups: major and non-major. The District uses three different types of major funds to control its financial activities: general, special revenue and capital project.

General Fund

The District's General Fund is its primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. This fund accounts for District-wide expenditures and is supported primarily by ad valorem taxes, permit fees and interest earnings.

Special Revenue Funds

Special Revenue Funds account for legally restricted revenue sources with expenditures intended exclusively for specific purposes. The Special Revenue Funds are described below:

- **Okeechobee Basin Fund**

This fund accounts for the normal operating expenditures for the Okeechobee Basin. The region covers all or part of 15 counties extending from the Kissimmee Chain of Lakes in Orange County through Lake Okeechobee, the Everglades and Florida Bay. Funding is provided by a .3130 mill property tax levy, intergovernmental revenues, permit fees, interest earnings and other revenue sources.

- **State Appropriations Fund**

The agency's State Appropriations Fund accounts for expenditures made for various projects utilizing revenue originating from state sources. The Surface Water Improvement and Management (SWIM) Fund and several state agencies are among the funding sources for this fund.

Capital Project Funds

The financial resources included in the District's Capital Project Funds are utilized for the acquisition of properties or construction of major capital facilities. Each individual Capital Project Fund is described in detail on the following page:

• Everglades Trust Fund

This trust fund accounts for capital expenditures used to construct six Stormwater Treatment Areas which will cleanse stormwater runoff from the Everglades Agricultural Area (EAA) through naturally occurring biological and physical processes. Additional objectives include hydroperiod restoration and water supply. Funding is provided through a .100 mill tax levy, non-ad valorem assessments to property owners in the EAA, state and federal contributions, and interest earnings.

• Comprehensive Everglades Restoration Plan (CERP) – Ad Valorem Fund

The CERP Ad Valorem Fund accounts for revenues and expenditures associated with projects included in the Central and Southern Florida Comprehensive Review Study. Implementation of these projects was expedited under the authority of Section 528 (e) in the Water Resources Development Act of 1996, for which Project Cooperation Agreements were signed in January 2000. Funding is provided by operating transfers from the General Fund and the Okeechobee Basin Fund.

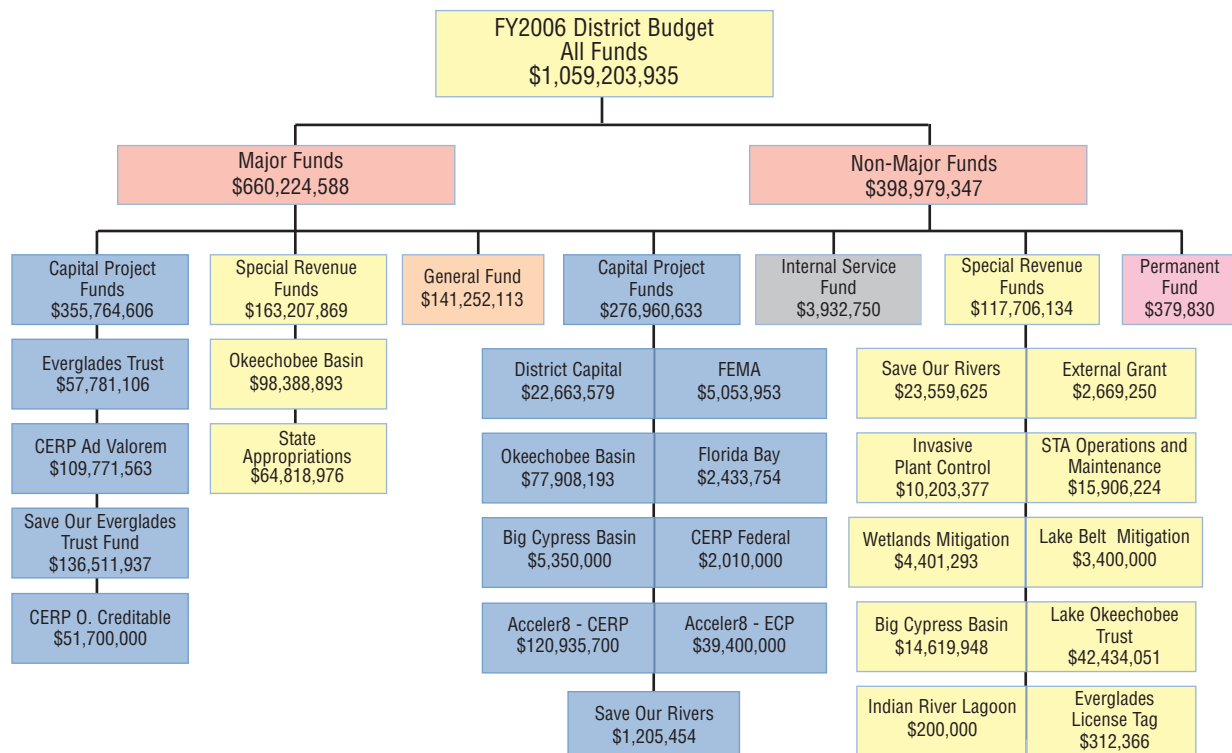
• CERP – Other Creditable Fund

The CERP – Other Creditable Fund accounts for revenues received from and expenditures funded through various sources for CERP. It excludes revenues and expenditures from federal sources, District ad valorem sources and the Save Our Everglades Trust Fund.

• Save Our Everglades Trust Fund (SOETF)

SOETF accounts for revenues received from and expenditures funded through the State of Florida's fund by the same name. Monies are used for the design, construction and associated land costs for CERP projects.

District Fund Structure



All funds shown in the chart above are appropriated, except for the Permanent Fund. The amount shown for the Permanent Fund represents interest revenue transferred from the Permanent Fund to the Wetlands Mitigation Fund to support land management expenditures. The financial statements include the same funds as shown above.

Non-Major Funds

The District uses four different types of non-major funds to control its financial activities: Special Revenue, Capital Project, Internal Service and Permanent.

Special Revenue Funds

- **Big Cypress Basin Fund**

This fund accounts for the normal expenditures associated with the Big Cypress Basin, which encompasses all of Collier County and the northwestern part of Monroe County. Funding is provided by a .2425 mill property tax levy and interest earnings.

- **Save Our Rivers Fund (SOR)**

The SOR fund accounts for expenditures utilized to manage and restore sensitive lands bordering water resources within the District. Funding is generated by regulatory fines, interest earnings, and a portion of the documentary stamp-tax revenues appropriated and allocated in the District's name and deposited in the state-administered Florida Water Management Lands Trust Fund.

- **Invasive Plant Control Fund**

This fund accounts for invasive plant control related expenditures (including the District's Melaleuca Management Program) in the Kissimmee River and the Upper Chain of Lakes. Funding is provided by the Aquatic Plant Trust Fund, which is passed through from the Florida Department of Environmental Protection to the District.

- **Wetlands Mitigation Fund**

Expenditures from the Wetlands Mitigation Fund are earmarked for the creation of new wetlands or the improvement of existing wetlands destroyed by new land development. Funding is provided by permit fees paid by developers, private and other governmental contributions.

- **Indian River Lagoon (IRL) Restoration Fund**

The IRL Restoration Fund accounts for expenditures to enhance the environmental and scenic value of surface waters in the Indian River Lagoon. Funding is provided through the sale of a vehicle license specialty tag which promotes the role of the Indian River Lagoon in Florida's ecosystem.

- **External Grant Fund**

This fund accounts for revenue and expenditures related to grants received primarily for research purposes. This separate fund allows for detailed tracking of expenditures and/or cost-share contributions.

- **STA Operations and Maintenance Fund**

The STA Operations and Maintenance Fund accounts for expenditures associated with the operation and maintenance of the Stormwater Treatment Areas (STA), which are required by the Everglades Forever Act. Funding is provided by operating transfers from the Everglades Trust Fund and expenditures are consistent with the provisions of the Act.

- **Lake Belt Mitigation Fund**

Revenues and expenditures accounted for by this fund are utilized to mitigate the effects of rock mining in the Lake Belt area of Miami-Dade County.

- **Everglades License Plate Fund**

This fund accounts for conservation, protection of natural resources, and abatement of water pollution in the Everglades related expenditures. Funding is generated from proceeds of Everglades specialty license tag sales.

- **Lake Okeechobee Trust Fund**

This trust fund accounts for expenditures associated with restoration projects for Lake Okeechobee. Funding is provided by the Florida Department of Environmental Protection.

Capital Project Funds

- **District Fund**

The agency's District Fund accounts for capital expenditures associated with District-wide capital projects. Funding is provided by transfers from the General Fund.

- **Okeechobee Fund**

This fund accounts for capital expenditures on projects benefiting the Okeechobee Basin. Funding is provided by operating transfers from the Okeechobee Basin Fund.

- **Big Cypress Fund**

The Big Cypress Fund accounts for capital expenditures on projects benefiting the Big Cypress Basin. Funding is provided by operating transfers from the Big Cypress Basin Special Revenue Fund.

- **Save Our Rivers Fund (SOR)**

The SOR Fund accounts for capital expenditures for the purchase of sensitive water resource land. Funding is provided through allocations from the Florida Preservation 2000 Trust fund, regulatory fines, interest earnings, and documentary stamp-tax revenues appropriated and allocated in the District's name and deposited in the state-administered Florida Water Management Lands Trust Fund.

- **Federal Emergency Management Agency (FEMA) Fund**

The FEMA Fund accounts for revenues and expenditures associated with District recovery efforts following severe natural disasters, such as hurricanes and floods. Revenue is received from FEMA and is disbursed to the District on a reimbursable basis. This fund also accounts for federal funding used to mitigate future disaster damage.

- **Florida Bay Fund**

The Florida Bay Fund accounts for capital expenditures associated with restoring natural quantity, distribution and timing of water flows to Florida Bay. Funds for these projects are derived from excess Alligator Alley toll revenue, as mandated in the 1994 Everglades Forever Act.

- **CERP – Federal Fund**

The CERP – Federal Fund accounts for revenues received from and expenditures funded through the federal government for CERP.

- **Acceler8 – ECP**

This fund accounts for revenues from debt issued to support the construction of projects in the Everglades Program / Long Term Plan implementation.

- **Acceler8 – CERP**

This fund accounts for revenues from debt issued to support the construction of Comprehensive Everglades Restoration Plan projects.

Internal Service Fund

The Internal Service Fund accounts for the District's self-insured risks related to general, automobile and workers' compensation liabilities. Funding is provided through charges to various District Funds.

Permanent Fund

This district fund is used to report legally restricted resources. Only earnings, not principal, may be used for purposes that support the District's management of lands acquired for wetland mitigation.

Program to Fund Matrix

Program By Resource Area	FUND TYPE								
	Major Funds							Non-Major Funds	All Funds
	General	Okeechobee Basin	State Appropriations	Everglades Trust	CERP Ad Valorem	CERP Other Creditable	Save Our Everglades Trust	Other Gvt. Funds	Total
Water Resources									
District Everglades Program			\$732,061	\$57,781,106				\$43,518,590	\$102,031,757
Water Supply	19,082,384	5,891,200	30,200,000					6,013,371	\$61,186,955
Kissimmee River Restoration	80,236	9,580,272	500,000					37,000,000	\$47,160,508
Regulation	16,890,698	1,050							\$16,891,748
Lake Okeechobee	275,317	3,083,751	175,000					47,230,613	\$50,764,681
Coastal Watersheds	2,588,096	5,920,783	32,761,915					4,838,771	\$46,109,565
Modeling & Scientific Support	16,618,977								\$16,618,977
Operation & Maintenance Resources									
Operations & Maintenance	11,324,942	59,610,533							\$130,539,780
CERP Resources									
Land Stewardship	137,140	1,681,454						27,152,430	\$28,971,024
CERP			450,000		109,771,563	51,700,000	136,511,937	145,953,908	\$444,387,408
Corporate Resources									
Mission Support	74,254,323	12,619,850						27,667,359	\$114,541,532
Total	\$141,252,113	\$98,388,893	\$64,818,976	\$57,781,106	\$109,771,563	\$51,700,000	\$136,511,937	\$398,979,347	\$1,059,203,935

Basis of Accounting and Budgeting

The modified accrual basis of accounting is used by the District for both accounting and budgeting purposes, with compensated absences treated differently in the budget than they are in the Comprehensive Annual Financial Report. Revenue is recognized when it is susceptible to accrual (i.e., it is both measurable and available). "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are ad valorem property taxes, interest on investments and intergovernmental revenue.

Property taxes are recorded as revenues in the fiscal year for which they are levied, provided they are collected in the current period or within 60 days thereafter. Interest income is recognized when earned. Intergovernmental revenues, which are reimbursements for specific purposes or projects, are recognized in the period in which the expenditures are recorded.

Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All annual appropriations lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered. Expenditures may not legally exceed appropriations at the agency level in any of the governmental fund types.

The costs of vacation and sick leave benefits (compensated absences) are budgeted and expended in the respective operating funds when payments are made to employees. The liability for all accrued and vested vacation and sick pay benefits, plus sick leave benefits expected to become vested, however, is recorded in the General Long-Term Liabilities Account Group for employees paid from governmental funds.

Revenue Forecast Methodology

The District's annual budget development process begins with the Strategic Plan. Annual revenue forecasts are based on resulting project funding requirements and an analysis of individual funding source factors, including: legal or mandated stipulations; tax roll data; available revenue from other governmental agencies; and, functional-unit staff estimates.

Legal or Mandated Requirements

Some revenue sources are defined by specific legal requirements or restrictions. For example, the District's ability to generate revenue through ad valorem property taxes is limited by statutory and constitutional millage caps of 0.8 and 1 mill, respectively. To increase the combined District and Okeechobee Basin millage rates to the constitutional cap of 1 mill would require legislative action. The maximum legal millage rate limit for the Big Cypress Basin is .4800 mills. In addition, the District allocates one-tenth of a mill (.1000) of the Okeechobee Basin millage to the Everglades Construction Project (ECP) and the Long-Term Plan (LTP), as stated in the amended 2003 Everglades Forever Act (EFA).

Under the EFA, revenue sources earmarked for the Everglades Trust Fund can only be applied to qualifying Everglades restoration-related expenditures. The District's Comprehensive Everglades Restoration Plan (CERP) has requirements for dedicated annual revenue funding. Other sources subject to legal or mandated requirements include state trust funds for which funding must be used for specific purposes, such as CERP, land acquisition or land management.

Taxes

The ad valorem revenue projections were based on the assumption that millage rates would stay at existing levels. Any increases in ad valorem revenues, therefore, would have to be the result of tax base increases. These increases were calculated for counties falling within the District's jurisdiction, per the October 2004 Ad Valorem Estimating Conference forecast for FY2006. The District's Budget Division is responsible for property tax revenue projections.

Everglades agriculture privilege taxes are assessed on acreage within the Everglades Agricultural Area (EAA) and C-139 Basin. The tax applies to land used for agricultural business or trade, as stated in the Everglades Forever Act. The revenue is based on tax roll information received from property appraisers in Palm Beach and Hendry Counties during the annual tax certification process that occurs from June 1 through August 31. For FY2006, the assessed tax-per-acre for the EAA and C-139 Basin was \$24.89 and \$4.30, respectively. The Budget Division is responsible for calculating and projecting the estimated tax.

The agriculture privilege tax is one of the dedicated revenues for the ECP/LTP and is calculated into the mix of funding sources to offset anticipated expenditures. Tax revenues vary each year based on the number of agricultural acres noted on the tax rolls.

Intergovernmental

This revenue category is defined by federal, state or local government entities. The category includes appropriations based on annual state legislative budget allocations and grants or cooperative agreements from executed contracts with governmental agencies.

Investment Earnings

Interest is calculated by individual fund, based on its projected share of pooled cash, investment of funds and economic market conditions. Throughout the budget development process, the Budget Division communicates with the District's Treasurer to review budget requirements and determine interest revenue estimates.

Licenses, Permits and Fees

This category is comprised of revenues received from the sale of license tags and fees for the issuance of regulatory and right-of-way permits. Lake Belt and Wetland Mitigation revenue is also included in this category. Revenue estimates and proper documentation are provided to the Budget division by the District's functional units.

Other Financing Sources

Certificates of Participation (COPs), capital leases and bank loan proceeds are classified as Other Financing Sources. As capital funding needs arise, the District Accounting staff and Treasurer provide revenue estimates which are incorporated into the budget. Transactions related to issuance of land acquisition bond refunding are not part of the District's budgeted revenue sources.

Other – Miscellaneous

Various revenue sources such as self-insurance premiums, leases and sale of District property are included within this category. Currently, the District does not budget for cash discounts earned, refund of prior-year expenditures or other miscellaneous income items. District functional units generate revenue projections for this category.

Functional Unit Staff Estimates

Throughout the budget development process, the Budget Division relies heavily on the knowledge and experience of the District's directors, project managers and staff to forecast expected revenues from various non-ad valorem sources. The District receives non-ad valorem revenue in the form of grants, licenses, permits, fees, investment earnings, leases and sale of District property. As part of the annual budget process, each functional unit submits its non-ad valorem revenue estimates to the Budget Division, along with supporting documentation and an explanation of how revenue estimates were calculated.

Revenue by Source

FY2004 through FY2006 Projected Revenue	FY2004 Actual Amount	FY2005 Unaudited Actual	FY2006 Projected (Adopted Budget)
TAXES	\$343,908,083	\$388,403,092	\$455,767,931
Ad Valorem Property Taxes	331,671,332	376,053,364	444,075,931
Agriculture Privilege Taxes	12,236,751	12,349,728	11,692,000
INTERGOVERNMENTAL	193,317,523	289,570,796	312,291,978
Appropriations	159,171,054	265,792,336	260,654,051
Ecosystem Management Trust Fund/Other	-	50,998,000	80,698,000
Florida Forever	15,935,218	87,375,256	24,900,000
Division of State Lands			
- Conservation & Recreation Land Trust Fund	187,002	113,000	-
P2000	29,512	-	-
Save Our Everglades Trust Fund	122,381,550	103,369,370	136,511,937
Water Management Lands Trust Fund	20,637,772	23,936,710	18,544,114
GRANTS & COOPERATIVE AGREEMENTS	\$34,146,469	\$23,778,460	\$51,637,927
Federal	17,553,421	9,665,215	9,030,300
Federal Emergency Management Agency	2,311,171	5,217,791	5,053,953
U.S. Army Corps of Engineers	2,233,478	1,689,958	558,447
U.S. Department of Agriculture	1,116,287	2,133,209	3,090,000
U.S. Department of Interior	11,002,885	9,013	322,900
Department of Community Affairs (DCA)	-	567,220	-
Other Federal Grants/Agreements	889,600	48,024	5,000
State	15,610,244	11,986,512	14,323,377
Florida Department of Environmental Protection	2,683,721	3,712,274	8,423,377
Invasive Plant Management Grants	761,704	1,718,016	-
Aquatic Plant Control	9,882,021	1,494,070	2,000,000
Florida Department of Transportation	2,114,048	2,000,000	2,000,000
Florida Fish and Wildlife Conservation Commission	-	1,247,037	-
Other State Grants/Agreements	168,750	1,815,115	1,900,000
Local	982,804	2,126,733	28,284,250
Collier County	-	2,000,000	-
Martin County	806,658	-	26,800,000
Florida Inland Navigation District (FIND)	-	-	1,004,250
Other Local Grants/Agreements	176,146	126,733	480,000
INVESTMENT EARNINGS	\$8,374,907	\$7,976,081	\$8,507,350
LICENSES, PERMITS AND FEES	\$9,846,553	\$9,600,754	\$9,558,400
License Tags	397,946	299,911	387,000
Permit Fees	4,729,316	5,466,390	5,371,400
Wetland Mitigation	4,719,291	3,834,453	3,800,000
OTHER - MISCELLANEOUS	\$13,907,659	\$35,317,479	\$8,017,750
Department Charges - Self Insurance Premiums	2,878,819	2,816,417	3,932,750
Leases	4,614,065	3,996,809	3,675,000
Sale of District Property	770,697	20,564,902	400,000
Miscellaneous Income	5,644,078	7,939,351	10,000
OTHER FINANCING SOURCES	1,399,426	8,939,583	161,285,700
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Capital Leases	1,399,426	939,583	950,000
Loan Proceeds	-	8,000,000	160,335,700
FUND BALANCE - DESIGNATED	\$99,254,674	\$40,713,065	\$103,774,826
TOTAL	\$670,008,825	\$780,520,850	\$1,059,203,935

Revenue Assumptions and Trend Analysis

The District developed a series of revenue assumptions based on current and projected economic indicators, along with historical trends. The Budget staff analyzed projected data and trends in Ad Valorem tax-roll growth rates over a 10-year period from the Ad Valorem Estimating Conference. Revenue-collection history for the last four-years and information supplied by various departments within the agency were used to determine all remaining discretionary revenue sources. The District's assumptions for dedicated revenue were formulated using information from state trust fund balances; and, agreements with federal, state and local governments.

FY2006 revenue projections include a variety of fund sources. The District groups its revenue sources into seven standard accounting categories, as detailed in the following pages in this section.

The adopted FY2006 estimated revenue totaled \$1,059.2 million. When compared to the FY2005 amended budget of \$850.5 million, revenues increased overall by \$208.7 million. This amount is based on numerous project initiatives, projected changes, including additional revenue from existing and new sources, and reductions to prior-year revenue levels.

The following pages contain detailed explanations of the FY2006 revenue projections by category, with comparisons to the FY2005 amended budget. The assumptions used when making funding decisions and the reasons for any increases or decreases over the previous fiscal year's level are also included.

Comparative Summary of Sources and Uses

FY2005 Amended/FY2006 Adopted Budgets	FY2005 Amended Budget	FY2006 Adopted Budget	FY2006 Over or (Under) FY2005	Percent Change
SOURCES:				
Ad Valorem Property Taxes	\$375,371,184	\$444,075,931	\$68,704,747	18.3%
Agricultural Privilege Taxes	12,242,934	11,692,000	(550,934)	-4.5%
Intergovernmental	368,821,182	312,291,978	(56,529,204)	-15.3%
Investment Earnings	8,770,063	8,507,350	(262,713)	-3.0%
Licenses, Permits & Fees	9,573,712	9,558,400	(15,312)	-0.2%
Other - Miscellaneous	25,698,243	8,017,750	(17,680,493)	-68.8%
Other Financing Sources	9,268,166	161,285,700	152,017,534	1640.2%
Fund Balance - Designated	40,713,065	103,774,826	63,061,761	154.9%
TOTAL APPROPRIATED SOURCES OF FUNDS	\$850,458,549	\$1,059,203,935	\$208,745,386	24.5%
USES:				
Land Stewardship	\$57,108,906	\$28,971,024	(\$28,137,882)	-49.3%
District Everglades	70,201,570	102,031,755	31,830,185	45.3%
Operations & Maintenance	146,296,996	130,539,780	(15,757,216)	-10.8%
Water Supply	23,405,801	61,186,955	37,781,154	161.4%
Kissimmee Restoration	83,958,168	47,160,508	(36,797,660)	-43.8%
Regulation	16,519,406	16,891,748	372,342	2.3%
Lake Okeechobee	21,010,181	50,764,681	29,754,500	141.6%
Coastal Watersheds	30,526,074	46,109,565	15,583,491	51.0%
Mission Support	97,712,679	114,541,532	16,828,853	17.2%
Comprehensive Everglades Restoration Plan	303,718,768	444,387,410	140,668,642	46.3%
Modeling and Scientific Support	0	16,618,977	16,618,977	N/A
TOTAL APPROPRIATED USES OF FUNDS	\$850,458,549	\$1,059,203,935	\$208,745,386	24.5%

Taxes: \$455,767,931

Ad Valorem Property Taxes: \$444,075,931

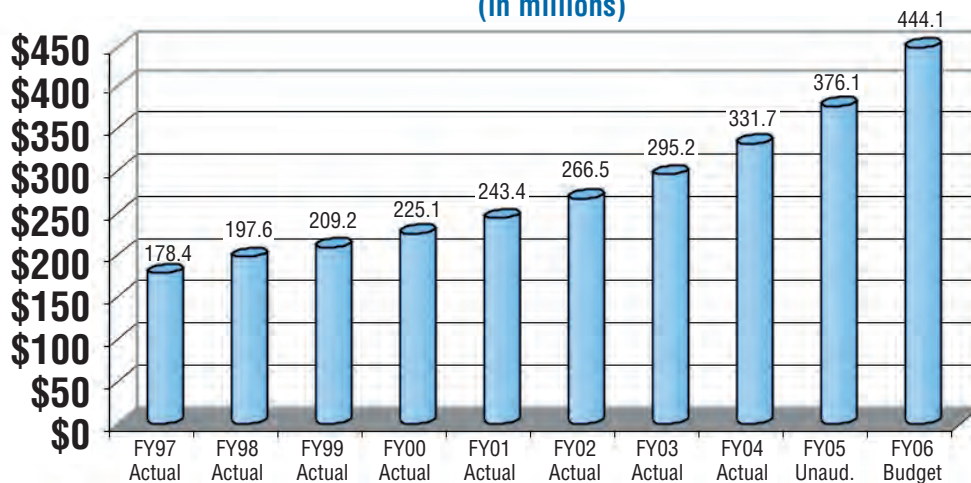
Ad valorem property taxes continue to be the District's primary source of revenue. For FY2006, property taxes are anticipated to yield approximately \$444.1 million, which is \$68.7 million or 18.3 percent more than the FY2005 amended budget of \$375.4 million. The basis for the increase is the tax growth rate as explained in further detail below.

Increase	FY2005	FY2006	Percent
Ad valorem property taxes (millions)	\$375.4	\$444.1	18.3%
Assessed property value (billions)	\$569.9	\$678.6	19.1%

FY2006 property tax revenue projections are based on the assumption that millage rates will be set at existing levels. It is also assumed there will be estimated tax-base increases throughout the District's 16-county boundary. Although the Okeechobee millage rate has remained constant since FY1998, property tax revenues have increased annually due to higher assessed values for new and existing properties throughout the District. In FY2004 and FY2005, taxable property values within the District increased by 13.2 percent and 14.1 percent, respectively.

The following graph illustrates actual and anticipated ad valorem property tax revenues for FY1997 through FY2006:

Ad Valorem Property Tax Revenues FY1997 through FY2006 (in millions)



For FY2005, the District's Budget division used 96 percent of the tax levied (96.5 percent for the Big Cypress Basin) to project actual revenue. This rate is derived from historical collection rates and applied as a percent of anticipated revenue. During the last 10 fiscal years (FY1996 through FY2005), the District has collected the majority of the total tax amount levied to pay for its services. Historically, an average of 96.6 percent of the combined District/Okeechobee millage rate and 97 percent of the Big Cypress Basin millage rate has been collected.

The District's high collection rate is primarily attributed to the discount provided to property owners as an incentive to pay their current year taxes before March 31 of the following year. Property taxes are payable through March 31, after which time they become delinquent. Delinquent property tax certificates are sold to the public beginning June 1, at which time property liens are attached. By the end of the fiscal year, virtually all property taxes are collected, either directly or through the sale of tax certificates. Ad valorem property tax revenues are recorded by the District, based on the amount of receipts reported by the county tax collectors. The following table shows the District's percent of ad valorem property tax levy collected between FY1996 and FY2005:

Ad Valorem Property Tax Collections

Percent of Levy Collected FY1996 through FY2005				
Fiscal Year	District	Okeechobee Basin	Big Cypress Basin	Everglades Trust Fund
1996	96.31%	96.28%	96.21%	96.56%
1997	96.22%	96.23%	96.80%	96.33%
1998	96.66%	96.60%	96.78%	96.70%
1999	96.24%	96.19%	96.72%	96.23%
2000	96.58%	96.56%	96.84%	96.53%
2001	96.82%	96.82%	96.78%	96.81%
2002	96.36%	96.31%	96.66%	96.02%
2003	95.99%	95.95%	96.66%	96.18%
2004	96.01%	95.97%	96.45%	95.77%
2005	96.78%	96.83%	96.64%	96.67%

Percentages are based on the total tax base (representing final taxable values) multiplied by the assessed millage rate, then divided by the actual ad valorem property tax revenue collected.

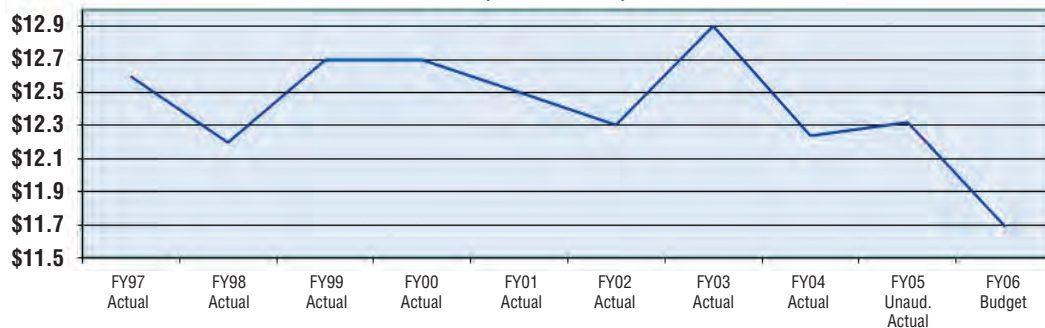
Agriculture Privilege Taxes: \$11,692,000

The agriculture privilege tax was levied for the first time in FY1995. This tax is a component of the 1994 Everglades Forever Act and utilized to fund the Everglades Construction Project. The EFA authorized the District to impose an annual tax for the privilege of conducting agricultural trade or business on property located within the Everglades Agricultural Area and the C-139 Basin in Palm Beach and Hendry Counties. In 2003, the EFA was amended to allocate some of the agricultural privilege tax revenue to the Long-Term Plan.

Agricultural privilege taxes continue to be a steady source of revenue for the Everglades Trust Fund. In FY2006, projected agricultural privilege tax revenues are expected to generate approximately \$11.7 million. This projection is \$0.5 million lower than the FY2005 amended budget of \$12.2 million. The basis for the decrease is directly related to a reduction of acres in the EAA and C-139 basin from the previous year's tax rolls. Construction and changes in property status to non-agricultural use tax classification are the primary causes of 'lost' acreage.

The District's agriculture privilege tax revenue projection assumes the total tax levied will be collected by the end of the fiscal year. Tax revenues from each county are calculated by multiplying the number of acres on the final tax rolls by the county's tax per acre (\$24.89 per acre in Palm Beach County and \$4.30 per acre in Hendry County). Once the tax assessment is calculated, the District's Governing Board certifies the tax rolls through the adoption of resolutions at the District's Annual Tentative Budget Adoption Public Hearing, held each September. By law, the District must deliver the final certified EAA and C-139 Basin tax rolls to the tax collectors' offices in both Hendry and Palm Beach counties prior to September 15 of each year.

Agriculture Privilege Taxes FY1997 through FY2006 (in millions)



Intergovernmental Revenue: \$312,291,978

This revenue category incurred a net decrease of \$56.5 million from the FY2005 amended budget amount of \$368.8 million. The overall net decrease is the result of the following:

- A decrease in Florida Forever funding for FY2006 due to inclusion of the State's appropriated Florida Forever Funds in the District's FY2005 amended budget in July. (The State's fiscal year begins in July, whereas the District's fiscal year starts in October).
- Increases in special legislative appropriations for the Alternative Water Supply development and the Lake Okeechobee program, including the CERP Watershed project.

Appropriations - \$260,654,051

In FY2006, the District anticipates receiving a total of \$260.6 million from the trust funds and state appropriations as listed below. This total represents a \$57.9 million decrease from the FY2005 amended budget of \$318.5 million. The reason for the overall net decrease is explained in the Intergovernmental Revenue section above.

Florida Forever Program Funds: \$24,900,000

A total of \$24.9 million is expected from Florida Department of Environmental Protection (FDEP) state bond proceeds and trust fund balances. This revenue is to be used for the purchase of environmentally sensitive lands under the Florida Forever Program and for local projects outlined in the Florida Forever Work Plan.

In 1999, the Florida Forever Act (FFA) was enacted by the state legislature and signed into law by the governor. The FFA (F.S. 259.105) provides \$3 billion to various state agencies over a 10-year period. Monies are allotted for acquisition of environmentally sensitive lands for conservation, recreation, water resource protection, wildlife habitat preservation, and management of public access to those lands.

Save Our Everglades Trust Fund (SOETF): \$136, 511,937

The District expects to receive approximately \$136.5 million from the state's SOETF. The FY2006 budgeted amount remains earmarked for design, construction and land acquisition for the Comprehensive Everglades Restoration Plan Program (CERP). This revenue assumption is based on continuation of the state's annual commitment of \$100 million and the availability of all prior-year SOETF funds, totaling \$36.5 million.

The SOETF was created by the Florida legislature in 2000 to fund the state's share of CERP. The legislation called for the SOETF to receive \$100 million annually in state funding through the program's first 10-year period.

Special Legislative Appropriations: \$80,698,000

This revenue estimate of \$80.7 million represents state appropriations for both new and on-going projects. New state appropriations will fund restoration projects, local water resource projects, Alternative Water Supply and Lake Okeechobee Estuary Recovery (LOER) projects.

The District expects to receive \$30 million from the Florida Department of Environmental Protection (FDEP) as part of the new state appropriation funding for the Water Protection and Sustainability Program (Senate Bill 444). During the 2005 Florida legislative session, funding was awarded to the District for development of Alternative Water Supply projects. In addition, the Florida legislature allocated \$25 million from General Appropriations for Lake Okeechobee Restoration, \$8.75 million for SWIM implementation and remaining funds to other water restoration projects.

Water Management Lands Trust Fund (WMLTF): \$18,544,114

The FY2006 projection of \$18.5 assumes the District will receive \$17.4 million in new revenue and utilize \$1.1 million from prior-year trust fund balances. The projected revenue assumption for the FY2006 budget was based on continuation of state funding at current levels and availability of remaining WMLTF balances. The basis for the decrease in budgeted revenue of \$5.9 million was attributed to a lower available trust fund balance.

The Water Management Lands Trust Fund (F.S. 373.59) was established to provide the state's water management districts with funding for management of environmentally sensitive lands, local water resource projects, exotic and aquatic plant control, priority water-body projects, and debt service from documentary stamp-tax revenues. In compliance with state statute, funds from the WMLTF cannot be used for land acquisition purposes after July 1, 2001. The District receives 30 percent of all funds allocated to the five water management districts from this trust fund.

Grants and Cooperative Agreements: \$51,637,927

The District anticipates receiving a total of \$51.6 million from various federal, state and local funding sources. This estimate represents a \$1.4 million increase from the FY2005 amended budget of \$50.2 million. The overall net increase includes additional funding for invasive plant management using grants from the state; local revenue agreements with Martin County for land acquisition; and, Florida Inland Navigation District (FIND) funds for dredging projects.

Federal: \$9,030,300

Approximately \$9.0 million in funding is expected from various federal government agencies. This figure is \$6.2 million less than the FY2005 amended budget of \$15.2 million. This projection assumes the use of remaining prior-year allotted balances and that new revenue will be received from grants or cooperative agreements.

Federal Emergency Management Agency (FEMA): \$5,053,953

A total of \$5.0 million in revenue is budgeted from FEMA. The FY2006 projection represents an overall decrease of \$6.1 million from the FY2005 amended budget of \$11.1 million. It is based on estimates of the work which can reasonable be accomplished in the next fiscal year.

FEMA funds will be used primarily for mitigation and mapping projects in Palm Beach, Broward and Miami-Dade counties. The District has the authority to perform work, provide services and acquire materials during emergency events. Following these events, the District can request reimbursement from FEMA.

U.S. Army Corps of Engineers (USACE): \$558,447

The District anticipates receiving \$0.6 million from the U.S. Army Corps of Engineers (USACE) as reimbursement for the operation and maintenance (O&M) of USACE-owned structures in Miami-Dade County and the Water Conservation Areas. The projection assumes the USACE will reimburse the District for 60 percent of the actual expenditures incurred to provide these services. This amount is approximately \$0.1 million less than the FY2005 amended budget of \$0.7 million and is based upon District staff estimating O&M costs for the fiscal year.

U.S. Department of Agriculture (USDA): \$3,090,000

The projection of approximately \$3.1 million in revenue from the USDA is equal to the FY2005 amended budget amount.

The FY2006 budget reflects approximately \$2.9 million in USDA National Resources Conservation Service (NRCS) funds for restoration activities on portions of Allapattah Ranch in Martin County, Buttermilk Slough, Gardner-Cobb Marsh, and the Kissimmee Chain of Lakes through the agency's Wetlands Reserve Program. An annual USDA grant of \$0.2 million for area-wide melaleuca management evaluation is also included in this budget.

The NRCS Wetlands Reserve Program funding will be matched by CERP funding to conduct restoration activities on portions of the Allapattah property. This program cost is shared (75 percent/25 percent) between the District and the NRCS for property related to restoration work.

Other Federal Grants and Cooperative Agreements: \$327,900

Grants totaling \$0.3 million are expected from the United States Department of Interior for water quality monitoring and for the Loxahatchee National Wildlife Refuge lab analysis and testing. This revenue estimate represents a \$0.1 million increase over the FY2005 amended budget.

State: \$14,323,377

A total of \$14.3 million is projected from various state government agencies, representing a \$3.6 million increase from the FY2005 amended budget of \$10.7 million. This projection assumes the use of remaining prior-year balances and new revenue from grants or cooperative agreements will be obtained.

Invasive Plant Management Grants: \$10,423,377

Projected Florida Department of Environmental Protection grant revenues, to be used for exotic and aquatic plant management, are approximately \$10.4 million. This budget amount is comprised of approximately \$8.4 million for aquatic plant management in the Kissimmee River, the Kissimmee Chain of Lakes and Lake Okeechobee. The remaining \$2 million is earmarked for melaleuca and other exotic plant management.

Funding for this program is passed to the District through the FDEP and based on a variety of revenue sources. The FDEP's funding sources include a portion of the state gas tax (from boat fuel sales); recreational and commercial boat taxes; the U.S. Army Corps of Engineers; and, special mid-year re-appropriations from the FDEP. This projection assumes that FDEP funding will be approximately \$4.2 million higher than the FY2005 amended budget of \$6.2 million.

Florida Department of Transportation (FDOT): \$2,000,000

This revenue projection of \$2 million assumes the District will receive funds from the FDOT for EFA-mandated restoration projects. The \$2 million is an annual revenue assumption and is based on an agreement with the FDOT. The agreement states that excess funds from Alligator Alley toll receipts are to be used for Everglades and Florida Bay restoration projects.

Other State Grants and Cooperative Agreements: \$1,900,000

Each year the District applies for, and receives, grants from a variety of different state sources. In the FY2006 budget, state grants totaling approximately \$1.9 million are expected from the Florida Department of Agriculture and Consumer Services (FDACS) and Florida Department of Environmental Protection. The anticipated \$1.8 million in funding from FDACS will be used for a hydromenia expansion project in Lake Okeechobee. \$0.1 million in revenues received from FDEP is for assessment of Fresh Water Discharges to South Florida Estuarine Ecosystems.

Local: \$28,284,250

Estimated revenues from various local sources total approximately \$28.3 million. This figure is \$4.3 million higher than the FY2005 amended budget of \$24 million. The revenue increase relates directly to ongoing funding allocation for a land acquisition agreement with Martin County. This projection assumes the District will receive revenues based on grants or cooperative agreements from counties and local agencies.

Martin County: \$26,800,000

For FY2006, the District expects to receive \$26.8 million from Martin County to fund a portion of C-44 Land acquisition.

Florida Inland Navigation District (FIND): \$1,004,250

The District expects to receive \$1 million from FIND as reimbursement for the Miami River-Dredging Grant.

Other Local Grants/Agreements: \$480,000

The remaining projected local revenue of approximately \$0.5 million assumes funds will be received from various grants and cost-sharing agreements including the Gulfstream Pipeline Mitigation/Restoration of Right-of-Ways and the Special Area Management Plan in Miami-Dade County.

Investment Earnings: \$8,507,350

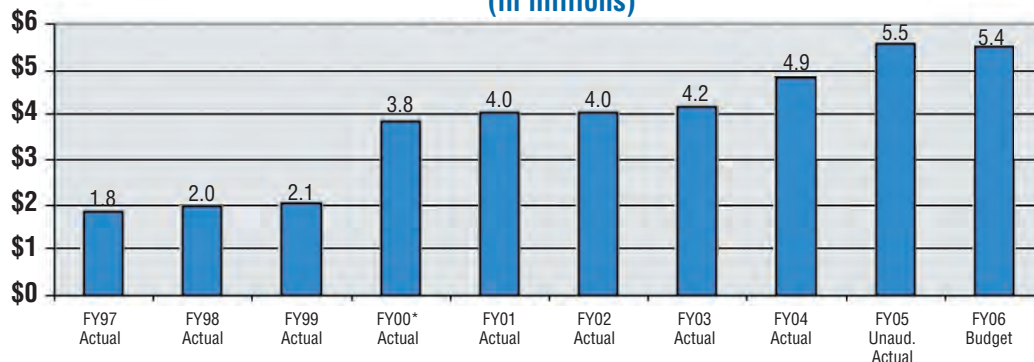
Investment earnings revenue for FY2006 is estimated to be \$8.5 million. This figure is based upon the assumed average cash balance in the District's investment portfolio and the weighted average rate of return on the individual investments held throughout the fiscal year. The District's Treasurer monitors cash needs on a monthly basis and attempts to match investment maturities with known cash expenditures. Actual investment earnings are reviewed and reported to management on an on-going basis.

Licenses, Permits and Fees: \$9,558,400

This revenue category totals \$9.6 million for FY2006. Anticipated revenue remains equal to the amount represented in the FY2005 amended budget. Revenue assumptions are based on historical data, collection rate, ongoing agreements and information provided by District staff. Lake Belt mitigation permit fees represent approximately \$3.8 million or 40 percent of the category's total estimated revenues. Staff calculations estimate surface-water management, water use, and right-of-way permit fees to total \$5.4 million. These fees are received for the release of District canal, mineral and right-of-way reservations.

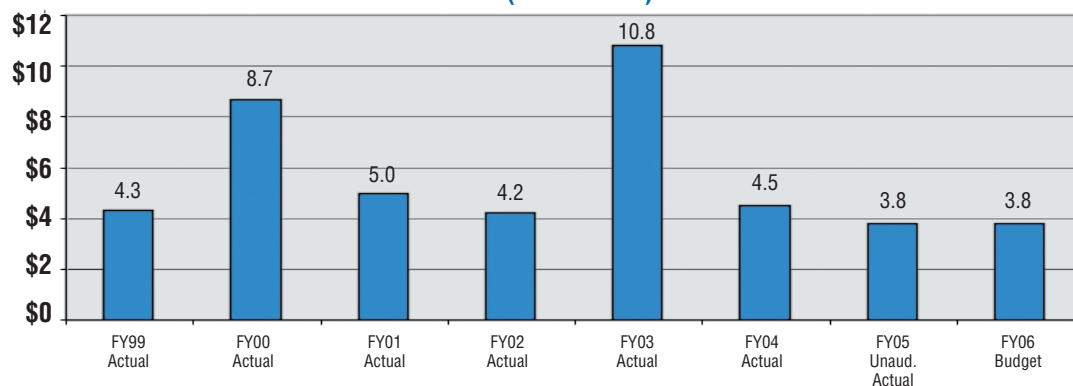
The remaining \$0.4 million in revenue is anticipated from the sale of Everglades and Indian River Lagoon vehicle license plates. The \$0.2 million in revenue generated from the Everglades license tag must be used for Everglades Restoration and related research projects. The \$0.2 million revenue derived from the Indian River Lagoon license tag sales will be used for restoration and environmental education projects within the Indian River Lagoon watershed. This budget reflects an increase of \$0.1 million from the FY2005 amended budget level.

Permit Revenues FY1997 through FY2006 (in millions)



* New permit fees were implemented in November 1999.

Mitigation Revenues FY1999 through FY2006 (in millions)



Other Miscellaneous Revenue: \$8,017,750

Three main revenue types: self-insurance premiums, leases and sale of District property are included in this budget category. Approximately \$8 million in revenue is expected during FY2006. This represents a decrease of \$17.7 million from the previous fiscal year total of \$25.7 million. The basis for the net decrease in projected revenue is primarily attributed to a one-time \$20 million sale of District real property in North Palm Beach County, which occurred in FY2005.

A projected self-insurance premium cost of \$3.9 million is based on cost allocation formulas that distribute insurance and administrative expenses to user departments within the District. Revenue is generated from interest earned on monies set aside for self-insurance.

Lease revenues of \$3.7 million, which represent an increase from the amended FY2005 budget of \$2 million, are from the Wetland Mitigation leases on lands owned by the District. Changes in projections are based on historical trends relating to long-term cattle grazing and current agricultural leases on lands owned by the District. An additional \$75,000 included in the lease revenue projection is for revenue generated by a day care center lease. (The District offers on-site daycare to its employees at its headquarters office in West Palm Beach.)

The sale of surplus tangible property, projected at \$0.4 million, is also included within this revenue category. Estimated revenue is based on historical data regarding surplus equipment and vehicle sales, and assumes more revenue will be generated through auction during FY2006 when the District solicits bids from around the country via internet auctions.

Other Financing Sources: \$161,285,700

Capital leasing and Certificates of Participation (COPs) bond revenues are included in this budget category. For FY2006, the revenue projection of approximately \$161.3 million assumes \$1 million will be received as part of the District's alternative financing program for purchasing field equipment through a capital leasing arrangement. Additionally, the District will utilize COPs (revenue bonding) in the amount of \$160.3 million for Acceler8 project construction.

Florida statutes define (COPs) as a type of revenue bond that a water management district may issue "to finance the undertaking of any capital or other project for the purposes permitted by the State Constitution." COPs are statutorily-authorized tax exempt certificates showing participation through ownership of a "share" of lease payments for a capital facility of a government agency.

Fund Balance: \$103,774,826

The last revenue category in the District budget is comprised of various undesignated fund balance amounts from prior fiscal years. The revenue projection of approximately \$103.8 million assumes this amount will be available from fund balances as a designated financing source for the FY2006 budget. This projected amount is \$63.1 million higher than the FY2005 amended budget of \$40.7 million. Several factors determine fund balances available to re-budget each fiscal year. Such factors include changes in estimates on certain types of expenditures, delays in project schedules, and shifting priorities.

Summary of Estimated Financial Sources and Uses

Actual FY2004 through Projected FY2006

SOURCES	Major Funds					
	General Fund			Okeechobee Basin		
	FY04 Actual	FY05 Unaudited Actual	FY06 Projected	FY04 Actual	FY05 Unaudited Actual	FY06 Projected
Ad Valorem Property Taxes	\$138,283,639	\$156,633,686	\$185,014,421	\$138,494,677	\$157,171,627	\$185,428,328
Agriculture Privilege Taxes	-	-	-	-	-	-
Intergovernmental Revenue	131,604	97,498	322,900	1,515,309	2,333,505	558,447
Investment Earnings	2,032,981	2,224,542	2,566,353	1,918,359	2,377,008	2,780,920
Licenses, Permits and Fees	4,775,185	5,356,460	5,269,400	163,255	134,280	83,000
Other	8,007,958	7,811,639	485,000	157,117	411,604	-
Other Financing Sources	-	-	-	-	-	-
Bond Proceeds/Escrow Payments	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Capital Leases	65,928	-	-	1,167,653	939,583	950,000
Loan Proceeds	-	-	-	-	-	-
Total Sources	\$153,297,295	\$172,123,825	\$193,658,074	\$143,416,371	\$163,367,607	\$189,800,695
Fund Balance Designated	\$3,869,380	\$9,699,938	\$3,266,682	\$5,410,051	\$12,968,123	\$12,378,500
Total Sources and Balances	\$157,166,675	\$181,823,763	\$196,924,756	\$148,826,422	\$176,335,730	\$202,179,195
Operating Transfers (Net)	(\$45,569,828)	(\$56,141,276)	(\$55,672,643)	(\$48,963,468)	(\$64,211,082)	(\$103,790,302)
TOTAL SOURCES	\$111,596,847	\$125,682,487	\$141,252,113	\$99,862,954	\$112,124,648	\$98,388,893

USES						
District Programs						
Land Stewardship	\$66,421	\$231,880	\$137,140	\$2,035,378	\$2,276,398	\$1,681,454
District Everglades	2,543,383	7,644	-	538,616	(30)	-
Operations and Maintenance	10,344,713	10,482,982	11,324,942	51,109,501	61,067,293	59,610,533
Water Supply	10,270,749	14,166,348	19,082,384	133,046	278,027	5,891,200
Kissimmee Restoration	1,256,656	1,212,572	80,236	6,933,770	10,186,193	9,580,272
Regulation	13,605,667	14,529,495	16,890,698	129,672	18,068	1,050
Lake Okeechobee	946,782	1,424,352	275,317	4,143,123	3,362,041	3,083,751
Coastal Watersheds	3,010,172	3,550,991	2,588,096	3,770,214	4,832,017	5,920,783
Mission Support	58,741,105	68,764,647	74,254,323	9,535,854	10,389,205	12,619,850
Comprehensive Everglades Restoration Plan	36	807	-	25,380	-	-
Modeling and Scientific Support	-	-	16,618,977	-	-	-
TOTAL USES	\$100,785,684	\$114,371,719	\$141,252,113	\$78,354,554	\$92,409,213	\$98,388,893
SOURCES OVER USES	\$10,811,163	\$11,310,768	\$0	\$21,508,400	\$19,715,435	\$0

Summary of Estimated Financial Sources and Uses *Continued*

Actual FY2004 through Projected FY2006

SOURCES	Major Funds								
	State Appropriations			Everglades Trust Fund			CERP - Ad Valorem		
Revenue Type	FY04 Actual	FY05 Unaudited Actual	FY06 Projected	FY04 Actual	FY05 Unaudited Actual	FY06 Projected	FY04 Actual	FY05 Unaudited Actual	FY06 Projected
Ad Valorem Property Taxes	\$0	\$0	\$0	\$44,151,734	\$50,227,965	\$59,242,278	\$0	\$0	\$0
Agriculture Privilege Taxes	-	-	-	12,236,751	12,349,728	11,692,000	-	-	-
Intergovernmental Revenue	1,452,412	41,124,908	50,698,000	2,000,000	2,041,392	2,000,000	1,573,710	152,698	-
Investment Earnings	261,106	20,055	-	1,012,926	1,134,272	1,454,372	772,253	568,231	800,000
Licenses, Permits and Fees	-	-	-	-	-	-	-	-	-
Other	-	-	-	29,512	94,706	-	244,947	323,499	-
Other Financing Sources	-	-	-	-	-	-	-	-	-
Bond Proceeds/Escrow Payments	-	-	-	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-
Total Sources	\$1,713,518	\$41,144,963	\$50,698,000	\$59,430,923	\$65,848,063	\$74,388,650	\$2,590,910	\$1,044,428	\$800,000
Fund Balance Designated	\$15,670,989	-	\$14,453,487	\$9,905,821	\$3,101,981	\$298,680	680,678	-	\$47,771,563
Total Sources and Balances	\$17,384,507	\$41,144,963	\$65,151,487	\$69,336,744	\$68,950,044	\$74,687,330	\$3,271,588	\$1,044,428	\$48,571,563
Operating Transfers (Net)	\$0	\$0	(\$332,511)	(\$8,902,236)	(\$11,057,183)	(\$16,906,224)	\$76,867,625	\$90,177,654	\$61,200,000
TOTAL SOURCES	\$17,384,507	\$41,144,963	\$64,818,976	\$60,434,508	\$57,892,861	\$57,781,106	\$80,139,213	\$91,222,082	\$109,771,563

USES									
District Programs:									
Land Stewardship	\$0	\$0	\$0	\$0	\$0	\$0	\$4,494	\$0	\$0
District Everglades	-	9,639	732,061	39,378,263	55,894,622	57,781,104	-	-	-
Operations and Maintenance	9,591,424	5,593,712	0	-	-	-	-	-	-
Water Supply	3,557,508	668,235	30,200,000	-	-	-	200,000	-	-
Kissimmee Restoration	699,894	1,295,746	500,000	-	-	-	8,143,102	-	-
Regulation	134,162	-	-	1,323	-	-	-	-	-
Lake Okeechobee	415,965	405,629	175,000	-	-	-	5,840	-	-
Coastal Watersheds	5,455,574	5,406,207	32,761,915	-	-	-	-	-	-
Mission Support	-	-	-	200,467	30,135	-	-	359	-
Comprehensive Everglades Restoration Plan	557,294	9,101,268	450,000	-	269	2	63,916,857	80,262,699	109,771,563
Modeling and Scientific Support	-	-	-	-	-	-	-	-	-
TOTAL USES	\$20,411,821	\$22,480,437	\$64,818,976	\$39,580,053	\$55,925,027	\$57,781,106	\$72,270,293	\$80,263,058	\$109,771,563
SOURCES OVER USES	(\$3,027,314)	\$18,664,526	\$0	\$20,854,455	\$1,967,834	\$0	\$7,868,920	\$10,959,024	\$0

Major Funds						Non-Major Funds					
CERP - Other Creditable			Save Our Everglades Trust			Other Governmental Funds			ALL FUNDS		
FY04 Actual	FY05 Unaudited Actual	FY06 Projected	FY04 Actual	FY05 Unaudited Actual	FY06 Projected	FY04 Actual	FY05 Unaudited Actual	FY06 Projected	FY04 Actual	FY05 Unaudited Actual	FY06 Projected
\$0	\$0	\$0	\$0	\$0	\$0	\$10,741,281	\$12,020,086	\$14,390,904	\$331,671,332	\$376,053,364	\$444,075,931
-	-	-	-	-	-	-	-	-	12,236,751	12,349,728	11,692,000
7,816,340	13,648,862	51,700,000	122,264,093	103,473,444	136,511,937	56,564,055	126,698,489	70,500,694	193,317,523	289,570,796	312,291,978
129,201	-	-	2,440	4,598	-	2,245,641	1,647,375	905,705	8,374,907	7,976,081	8,507,350
-	-	-	-	-	-	4,908,113	4,110,014	4,206,000	9,846,553	9,600,754	9,558,400
-	-	-	165,267	147,430	-	5,302,858	26,528,601	7,532,750	13,907,659	35,317,479	8,017,750
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	165,845	-	-	1,399,426	939,583	950,000
-	-	-	-	-	-	-	8,000,000	160,335,700	-	8,000,000	160,335,700
\$7,945,541	\$13,648,862	\$51,700,000	\$122,431,800	\$103,625,472	\$136,511,937	\$79,927,793	\$179,004,565	\$257,871,753	\$570,754,151	\$739,807,785	\$955,429,109
-	-	-	\$1,030,047	(\$6,750,585)	-	\$62,687,708	\$21,693,608	\$25,605,914	\$99,254,674	\$40,713,065	\$103,774,826
\$7,945,541	\$13,648,862	\$51,700,000	\$123,461,847	\$96,874,887	\$136,511,937	\$142,615,501	\$200,698,173	\$283,477,667	\$670,008,825	\$780,520,850	\$1,059,203,935
\$0	\$0	\$0	(\$39,750)	\$0	\$0	\$26,607,657	\$41,231,887	\$115,501,680	\$0	\$0	\$0
\$7,945,541	\$13,648,862	\$51,700,000	\$123,422,097	\$96,874,887	\$136,511,937	\$169,223,158	\$241,930,060	\$398,979,347	\$670,008,825	\$780,520,850	\$1,059,203,935

\$0	\$0	\$0	\$0	\$0	\$0	\$46,095,792	\$26,950,589	27,152,430	\$48,202,085	\$29,458,866	\$28,971,024
-	-	-	-	-	-	15,945,431	11,384,458	43,518,590	\$58,405,693	\$67,296,334	\$102,031,755
-	-	-	-	-	-	30,110,505	35,643,449	59,604,305	\$101,156,143	\$112,787,437	\$130,539,780
-	-	-	-	-	-	5,263,265	4,037,882	6,013,371	\$19,424,568	\$19,150,491	\$61,186,955
10,192,504	-	-	-	-	-	18,976,603	61,140,644	37,000,000	\$46,202,529	\$73,835,156	\$47,160,508
-	-	-	-	-	-	2,218	107,350	-	\$13,873,042	\$14,654,913	\$16,891,748
-	-	-	-	-	-	5,838,369	4,720,878	47,230,613	\$11,350,079	\$9,912,901	\$50,764,681
-	-	-	-	-	-	1,829,942	6,577,374	4,838,771	\$14,065,902	\$20,366,589	\$46,109,565
-	-	-	-	-	-	14,799,900	22,425,587	27,667,359	\$83,277,326	\$101,609,933	\$114,541,532
8,923,476	8,431,859	51,700,000	129,913,127	104,534,663	136,511,937	12,406,642	44,015,642	145,953,908	\$215,742,812	\$246,347,208	\$444,387,410
-	-	-	-	-	-	-	-	\$0	\$0	\$0	\$16,618,977
\$19,115,980	\$8,431,859	\$51,700,000	\$129,913,127	\$104,534,663	\$136,511,937	\$151,268,668	\$217,003,852	\$398,979,347	\$611,700,180	\$695,419,828	\$1,059,203,935
(\$11,170,439)	\$5,217,003	\$0	(\$6,491,030)	(\$7,659,776)	\$0	\$17,954,490	\$24,926,208	\$0	\$58,308,645	\$85,101,022	\$0

Changes in Total Fund Balances

Actual FY2005 through Projected FY2006

CHANGES IN TOTAL FUND BALANCES	General Fund	Okeechobee Basin	State Appropriations	Everglades Trust Fund	CERP Ad Valorem
FY2005					
Actual Beginning Fund Balance 10/01/04	\$39,037,572	\$41,088,002	\$29,969,822	\$30,720,766	\$57,475,979
Total Revenues	172,123,825	162,428,024	41,144,963	65,848,063	1,044,428
Total Expenditures	(116,065,383)	(98,165,292)	(22,480,437)	(55,925,025)	(80,263,058)
Total Other Financing Sources (Uses)	(56,141,276)	(63,271,499)		(11,057,183)	90,177,654
Actual Unaudited Ending Fund Balance 9/30/05	\$38,954,738	\$42,079,235	\$48,634,348	\$29,586,621	\$68,435,003
FY2006					
Projected Beginning Fund Balance 10/01/05	\$38,954,738	\$42,079,235	\$48,634,348	\$29,586,621	\$68,435,003
Total Revenues	193,658,074	188,850,695	50,698,000	74,388,650	800,000
Total Expenditures	(141,252,113)	(98,388,893)	(64,818,976)	(57,781,106)	(109,771,563)
Total Other Financing Sources (Uses)	(55,672,643)	(102,840,302)	(332,511)	(16,906,224)	61,200,000
Projected Ending Fund Balance 9/30/06	\$35,688,056	\$29,700,735	\$34,180,861	\$29,287,941	\$20,663,440
Projected Dollar Change in Fund Balance	(3,266,682)	(12,378,500)	(14,453,487)	(298,680)	(47,771,563)
PROJECTED PERCENTAGE CHANGE IN FUND BALANCE	-8.4%	-29.4%	-29.7%	-1.0%	-69.8%

CHANGES IN TOTAL FUND BALANCES	CERP Other-Creditable	Save Our Everglades	Other Governmental Funds	Total Governmental Funds
FY2005				
Actual Beginning Fund Balance 10/01/04	(\$1,022,540)	(\$434,924)	\$104,391,981	\$301,226,658
Total Revenues	13,648,862	103,625,472	171,004,565	730,868,202
Total Expenditures	(8,431,859)	(104,534,662)	(207,553,741)	(693,419,457)
Total Other Financing Sources (Uses)			49,231,887	8,939,583
Actual Unaudited Ending Fund Balance 9/30/05	\$4,194,463	(\$1,344,114)	\$117,074,692	\$347,614,986
FY2006				
Projected Beginning Fund Balance 10/01/05	\$4,194,463	(\$1,344,114)	\$117,074,692	\$347,614,986
Total Revenues	51,700,000	136,511,937	97,536,053	794,143,409
Total Expenditures	(51,700,000)	(136,511,937)	(398,979,347)	(1,059,203,935)
Total Other Financing Sources (Uses)			275,837,380	161,285,700
Projected Ending Fund Balance 9/30/06	\$4,194,463	(\$1,344,114)	\$91,468,778	\$243,840,160
Projected Dollar Change in Fund Balance	-	-	(25,605,914)	(103,774,826)
PROJECTED PERCENTAGE CHANGE IN FUND BALANCE	0.0%	0.0%	-21.9%	-29.9%

General Fund

The anticipated decrease of \$3.3 million or 8.4 percent in the District's General Fund for FY2006 is the result of higher projected personnel services costs related to salaries and benefits; project management initiatives; IT services for SAP and e-Quest; and, computer hardware/programming services for e-Permitting.

State Appropriations

By the end of FY2006, a projected fund balance decrease of approximately \$14.4 million or 29.7 percent will be incurred. Monies in the State Appropriations Fund include prior year state funds dedicated to specific projects continuing into the next fiscal year. This balance will primarily be used for Coastal Watersheds projects such as the Southern Indian River Lagoon, Biscayne Bay, Naples Bay, Charlotte Harbor, Caloosahatchee River; and, flood management planning for Miami-Dade and Broward counties.

Okeechobee Basin Fund

The estimated fund balance decrease of \$12.4 million or 29.4 percent is primarily due to transfers to the capital fund for Kissimmee and Southern Crew restoration projects.

Comprehensive Everglades Restoration Plan (CERP)

Aggressive efforts to acquire land for the C-44 reservoir required increased funding from the previous fiscal year budget. This fund balance is anticipated to decrease by \$47.8 million or 69.8 percent by the end of FY2006 as lands are purchased.

Other Governmental Funds

The estimated decrease of \$25.6 million or 21.9 percent in this fund balance is due to increased expenditures attributable to wetland mitigation activities, Big Cypress Basin capital projects, Florida Bay and Lake Okeechobee projects.

Debt Summary

As of the end of fiscal year 2005, the District's combined outstanding bond and bank loans debt is \$79,726,880. This debt total consists of:

- \$ 3,045,000 - Special Obligation Land Acquisition Refunding Bonds, Series 1995
- \$23,040,000 - Special Obligation Land Acquisition Refunding Bonds, Series 2002
- \$34,185,000 - Special Obligation Land Acquisition Refunding Bonds, Series 2003
- \$19,456,880 - Commercial Bank Debt

The District finances the acquisition of environmentally sensitive lands with funding from Special Obligation Land Acquisition Bonds. In FY2002 and FY2003 the District refunded outstanding series 1996 and 1993 Special Obligation Land Acquisition Bonds.

The District's Special Obligation Bonds are highly rated by bond rating companies. Outstanding District bonds are rated AAA/A+ by Standard & Poor's, AAA/A- by Fitch, and Aaa/A1 by Moody's. Bond ratings indicate the investment quality of bonds; and, are based on the economic, financial and managerial condition of an agency. The District shall strive to maintain its superior bond rating for its obligations, because a favorable rating facilitates lower borrowing costs.

Debt Limits

The amount of debt issued by the District is not restricted by law. Guidelines on debt limit are included in the District's debt policy.

Construction of capital projects were funded using two \$10 million bank loans and one \$9 million loan. An Emergency Operations Center, a Field Operations Center and a Fort Myers Service Center were acquired with the first bank loan in 1998. The District's second and third loans funded construction of an office building at the agency's West Palm Beach headquarters during FY2000-2002. In FY2003, the District borrowed \$4,827,374 to fund the telemetry system analog to digital conversion project. And, in FY2005, the District borrowed \$8,000,000 to fund implementation of the agency's new financial system.

The District's current debt and the impact of its debt on the FY2006 operating budget is shown in the following table:

Impact on Current Operating Budget

Existing Debt	Original Issue	Outstanding 9/30/05	Fiscal Year Maturity	Principal FY2006	Interest FY2006	Total FY2006 Requirements
Non-Major Funds						
1995 Refunding	\$17,975,000	\$3,045,000	2006-2007	\$2,220,000	\$96,750	\$2,316,750
2002 Refunding	23,810,000	23,040,000	2006-2016	1,815,000	751,518	\$2,566,518
2003 Refunding	34,550,000	34,185,000	2006-2016	465,000	1,595,858	\$2,060,858
Bank Loans	37,000,000	15,319,131	2006-2013	2,888,179	602,582	\$3,490,761
Sub-Total	113,335,000	75,589,131		7,388,179	3,046,708	10,434,887
Major Fund - Okeechobee Basin						
Bank Loans	4,827,374	4,137,749	2006-2011	689,625	141,944	831,569
Total	\$118,162,374	\$79,726,880		\$8,077,804	\$3,188,652	\$11,266,456

Future Debt and Implications for the Budget

Substantial capital requirements are anticipated for the construction of the Accelerated CERP and EFA Projects ("Acceler8"). The District plans to issue debt in the form of Certificates of Participation (COPs) bonds, to support these efforts. The District is statutorily authorized to use COPs bonds as a financing mechanism (Sec. 373.584, Florida Statutes). The first issuance of this debt is anticipated to occur in FY2006.

It is anticipated that the debt for these projects will be issued in approximately five increments over a three-year period to support the construction of separate and distinct projects. Design efforts for the CERP and EFA projects, as well as other non-accelerated projects, will be paid from current revenues and accumulated reserves. Land acquisition will continue to be funded primarily by the State's Save Our Everglades Trust Fund.

The District's Governing Board ratified a Memorandum of Agreement on October 14, 2004, with the Executive Office of the Governor which provides specific guidelines for the issuance and management of COPs. The guidelines include:

1. The acceleration of these CERP and EFA projects shall not result in an increase in state funding or in the millage rates levied by the District.
2. Each accelerated project shall be subject to the review and approval of the Executive Office of the Governor.
3. The borrowing shall be consistent with the District's debt management policies.
4. The District's debt management policies shall be amended to limit the debt service associated with the District's long-term debt to no more than 20% of the available ad valorem, related interest thereon, and permit fee revenues.

Debt service for the COPs is anticipated to be paid from the \$100 million in ad valorem revenues currently being committed to CERP annually, and the one-tenth mill that is levied for projects associated with the EFA. The remaining CERP projects (i.e., the non-accelerated projects) will be funded through a combination of fund balance, tax roll growth and renegotiation of agreements with the District's Federal partner, the U.S. Army Corps of Engineers.

Scheduled debt payments on existing bonds and bank loans for future budget years are presented in the following table:

Future Debt Service Requirements on Existing Debt

	Fiscal Year	Principal	Interest	Total Requirements
Bonds				
	2007	4,660,000	2,303,401	6,963,401
	2008	4,785,000	2,143,086	6,928,086
	2009	4,975,000	1,940,171	6,915,171
	2010	5,190,000	1,722,396	6,912,396
	2011-2015	29,455,000	5,034,055	34,489,055
	2016	6,705,000	160,538	6,865,538
Total		\$55,770,000	\$13,303,647	\$69,073,647
Bank Loans:				
	2007	4,847,444	580,076	5,427,520
	2008	3,248,472	394,899	3,643,371
	2009	1,832,482	282,438	2,114,920
	2010	1,832,482	208,215	2,040,697
	2011	1,832,482	133,991	1,966,473
	2012	1,142,857	72,633	1,215,490
	2013	1,142,857	24,211	1,167,068
Total		\$15,879,076	\$1,696,463	\$17,575,539
Total All Debt		\$71,649,076	\$15,000,110	\$86,649,186